MANWAH

MAN WAH HOLDINGS LIMITED

敏華控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 01999)

ANNOUNCEMENT OF FINAL RESULTS

FOR THE YEAR ENDED 31 MARCH 2018

AND

CLOSURE OF REGISTER OF MEMBER

The board (the "Board") of directors (the "Directors") of Man Wah Holdings Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the financial year ended 31 March 2018 ("FY2018", "Current FY", the "Review Period" or the "Reporting Period") together with the comparative figures for the previous financial year ended 31 March 2017 ("FY2017", "Last Corresponding Period" or the "Last FY").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	3	**10,026,573**	7,779,015
Cost of goods sold		**(6,283,633)**	(4,520,832)
Gross profit		**3,742,940**	3,258,183
Other income		**364,630**	159,752
Other gains and losses		**(26,168)**	184,001
Selling and distribution expenses		**(1,693,223)**	(1,173,878)
Administrative expenses		**(442,052)**	(365,441)
Finance costs		**(23,542)**	(10,271)
Profit before income tax		**1,922,585**	2,052,346
Income tax expense	4	**(368,639)**	(293,222)
Profit for the year	5	**1,553,946**	1,759,124
Other comprehensive income (expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**522,536**	(305,526)
Item that will not be reclassified subsequently to profit or loss:			
Increase in fair value of property, plant and equipment and land lease premium transferred to investment property, net of deferred tax		**3,578**	21,786
Total comprehensive income for the year		**2,080,060**	1,475,384
Profit for the year attributable to:			
Owners of the Company		**1,535,908**	1,752,370
Non-controlling interest		**18,038**	6,754
		1,553,946	1,759,124
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,999,700**	1,467,215
Non-controlling interest		**80,360**	8,169
		2,080,060	1,475,384
		2018 ***HK cents***	2017 *HK cents*
Earnings per share			
Basic	6	**40.22**	45.64
Diluted		**40.04**	45.47

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2018

	NOTES	**2018** **HK$'000**	2017 HK$'000 (restated)
Non-current assets			
Property, plant and equipment		**3,167,900**	2,267,824
Investment properties		**210,853**	170,781
Lease premium for land		**787,109**	451,219
Goodwill		**393,502**	129,177
Other intangible assets		**245,540**	189,994
Deferred tax assets		**3,590**	2,589
Properties under development		**–**	384,481
Refundable earnest money paid for lease premium for land		**–**	3,815
Deposit paid for a land lease		**4,225**	11,280
Deposits paid for acquisition of property, plant and equipment		**101,079**	79,612
		4,913,798	3,690,772
Current assets			
Inventories		**1,067,133**	749,253
Properties under development		**383,415**	–
Trade receivables	*8*	**956,097**	639,674
Other receivables and prepayments		**397,030**	235,129
Lease premium for land		**18,326**	9,648
Held for trading investments		**311,754**	367,862
Tax recoverable		**7,924**	1,744
Restricted bank balances		**8,303**	9,364
Bank balances and cash		**1,406,959**	1,808,298
		4,556,941	3,820,972
Current liabilities			
Trade payables	*9*	**753,902**	427,780
Other payables and accruals		**748,446**	485,312
Receipt in advance from sales of properties under development		**50,011**	–
Variable-rate bank borrowings		**1,316,799**	1,047,636
Tax payable		**72,892**	64,636
		2,942,050	2,025,364
Net current assets		**1,614,891**	1,795,608
Total assets less current liabilities		**6,528,689**	5,486,380

	2018	2017
	HK$'000	*HK$'000*
		(restated)
Non-current liabilities		
Variable-rate bank borrowings	**23,909**	27,294
Deferred tax liabilities	**56,158**	42,830
Other non-current liabilities	**4,138**	7,337
	84,205	77,461
	6,444,484	5,408,919
Capital and reserves		
Share capital	**1,531,511**	1,530,256
Reserves	**4,431,706**	3,508,286
Equity attributable to owners of the Company	**5,963,217**	5,038,542
Non-controlling interest	**481,267**	370,377
	6,444,484	5,408,919

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended). Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") with effect from 9 April 2010. The Company's immediate and ultimate holding company is Man Wah Investments Limited, which is owned by Mr. Wong Man Li and Ms. Hui Wai Hing, directors of the Company.

The Company acts as an investment holding company.

The functional currency of the Company is United States dollars ("USD"). The consolidated financial statements of the Company are presented in Hong Kong dollars ("HKD") for the convenience of the shareholders as the Company is listed in Hong Kong.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(i) Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014–2016

(ii) New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendements[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014–2016 Cycle[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021

The directors of the Company anticipate that the application of the above new and amendments to IFRSs and Interpretations will have no material impact on amounts reported in the consolidated financial statements and/or disclosures set out in these consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold in the normal course of business, net of discounts, sales taxes and returns.

The Group's operating and reportable segments, based on information reported to the Company's executive directors, being the chief operating decision makers of the Group, in respect of the Group's performance regarding different products via different distribution channels, are as follows:

Sofa and ancillary products	–	manufacture and distribution of sofas and ancillary products through wholesale and distributors other than those by Jiangsu Yulong Intelligent Technology Co., Limited, ("Jiangsu Yulong") and Home Group Ltd and its subsidiaries ("Home Group")
Other products	–	manufacture and distribution of the chairs, mattresses, smart furniture spare parts etc. used in high-speed railways
Home Group business	–	manufacture and distribution of sofas and ancillary products by Home Group
Jiangsu Yulong business	–	production and sales of metal components for furniture business by Jiangsu Yulong

The sofa and ancillary products segment includes a number of sales operation in various locations, each of which is considered as a separate operating segment by the executive directors. For segment reporting, these individual operating segments have been aggregated into a single reportable segment in order to present a more systematic and structured segment information on the performance of different type of products.

The Company's executive directors make decisions based on the operating results of each segment and review reports on the aging analysis of trade receivables and expected usage of inventories of the Group as a whole. No information of segment assets and liabilities is reviewed by the Company's executive directors for the assessment of performance of operating segments. Therefore, only the segment revenue and segment results are presented.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit before income tax earned by each segment without allocation of interest income, income on structured deposits, rental income, net exchange (loss) gain, fair value gain on investment properties, government subsidies, finance costs, central administrative costs and directors' emoluments. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

The information of segment revenue and segment results are as follows:

For the year ended 31 March 2018

	Sofa and ancillary products *HK$'000*	**Other products** *HK$'000*	**Home Group business** *HK$'000*	**Jiangsu Yulong business** *HK$'000*	**Total** *HK$'000*
REVENUE					
External sales	**8,075,623**	**925,934**	**870,956**	**154,060**	**10,026,573**
RESULTS					
Segment results	**1,873,033**	**211,163**	**15,933**	**25,245**	**2,125,374**
Interest income					**31,311**
Income on structured deposits					**19,741**
Rental income					**6,200**
Exchange loss – net					**(21,527)**
Government subsidies					**216,211**
Fair value gain on investment properties					**4,456**
Finance costs					**(16,992)**
Central administrative costs and directors' emoluments					**(442,189)**
Profit before income tax					**1,922,585**

For the year ended 31 March 2017

	Sofa and ancillary products *HK$'000*	Other products *HK$'000*	Home Group business *HK$'000*	Jiangsu Yulong business *HK$'000*	Total *HK$'000*
REVENUE					
External sales	6,981,725	594,802	202,488	–	7,779,015
RESULTS					
Segment results	1,985,210	119,888	3,371	–	2,108,469
Interest income					19,078
Income on structured deposits					7,602
Rental income					4,250
Exchange gain – net					171,056
Government subsidies					70,615
Fair value gain on investment properties					2,054
Finance costs					(7,856)
Central administrative costs and directors' emoluments					(322,922)
Profit before income tax					2,052,346

Other information:

	Sofa and ancillary products *HK$'000*	Other products *HK$'000*	Home Group business *HK$'000*	Jiangsu Yulong business *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment result:					
For the year ended 31 March 2018					
Loss (gain) on disposal of property, plant and equipment	**2,144**	**162**	**(183)**	**–**	**2,123**
Depreciation and amortisation	**157,767**	**4,982**	**34,503**	**3,160**	**200,412**
Release of lease premium for land	**14,106**	**–**	**–**	**–**	**14,106**
Allowance for trade receivables	**14**	**–**	**621**	**–**	**635**
(Reversal of) allowance for inventories	**(938)**	**438**	**(1,012)**	**–**	**(1,512)**
For the year ended 31 March 2017					
Loss on disposal of property, plant and equipment	162	38	7	–	207
Depreciation and amortisation	145,821	5,718	6,709	–	158,248
Release of lease premium for land	9,567	–	–	–	9,567
Reversal of allowance for inventories	(2,208)	(24)	(549)	–	(2,781)

Geographical information:

Revenue from external customers by geographical location of customers are as follows:

	2018 *HK$'000*	2017 *HK$'000*
PRC (including Hong Kong)	**4,831,080**	3,362,407
North America	**3,590,250**	3,498,762
Others (including Europe)	**1,605,243**	917,846
	10,026,573	7,779,015

Note: Others included mainly United Kingdom, Australia, Ireland, United Arab Emirates, Israel, France, Sweden and Indonesia. Home Group business is included in Europe. No further analysis by countries of this category is presented because the revenue from each individual country is insignificant to the total revenue.

Information about the Group's non-current assets (excluding deferred tax assets) is presented based on the location of the assets:

	2018	2017
	HK$'000	*HK$'000*
		(restated)
PRC (including Hong Kong and Macau)	**4,348,397**	3,125,119
Europe	**557,666**	559,060
Others	**4,145**	4,004
	4,910,208	3,688,183

During the year, none of the Group's customers individually contributed more than 10% of the Group's revenue (2017: none).

4. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("PRC EIT")	**284,536**	263,690
PRC Withholding Income Tax	**70,328**	17,447
U.S. Federal and State Current Income Taxes ("U.S. CIT")	**1,776**	1,660
Others	**1,408**	310
	358,048	283,107
Underprovision in prior years:		
PRC EIT	**4,647**	8,143
U.S. CIT	**225**	–
	4,872	8,143
Deferred tax	**5,719**	1,972
	368,639	293,222

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. However, the assessable profit for the current year has been wholly absorbed by the tax losses brought forward.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the general tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The EIT Law imposes withholding tax upon the distribution of the profits earned by the Company's PRC subsidiaries on or after 1 January 2008 to their non-resident shareholders.

The U.S. CIT charge comprises federal income tax calculated at 34% and state income tax calculated from 0% to 9.00% (2017: 0% to 8.84%) on the estimated assessable profits of the subsidiary of the Company which was incorporated in the U.S..

As stated on Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, the Group's Macau subsidiary is exempted from Macao Complementary Tax.

5. PROFIT FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments	**16,305**	16,937
Other staff costs		
Salaries and other allowances, including share option expenses	**1,349,530**	1,015,791
Retirement benefit scheme contributions, excluding those of directors	**48,382**	43,657
Total staff costs	**1,414,217**	1,076,385
Auditor's remuneration (including non-audit services)	**5,377**	4,180
Release of lease premium for land	**14,106**	9,567
Amortisation of other intangible assets (recognised in selling and distribution expenses)	**24,584**	4,549
Depreciation of properties, plant and equipment	**175,828**	153,699
Cost of inventories recognised as an expense	**6,250,109**	4,497,502
Research and development expenditure	**35,036**	26,111
And crediting:		
Recognised in cost of goods sold:		
Reversal of allowance for inventories	**1,512**	2,781
Recognised in other income:		
Interest income (including interest income from held for trading investments)	**31,338**	19,082
Income on structured deposits *(Note i)*	**19,741**	7,602
Dividend income from an available-for-sale investment	**–**	254
Rental income from investment properties less outgoings	**6,169**	4,182
Government subsidies recognised in other income *(Note ii)*	**216,211**	70,615

Notes:

(i) During the year, the Group invested into structured deposits with certain banks in the PRC by using unutilised funds for investment returns. Majority of the structured deposits are with maturities less than 6 months.

(ii) The government subsidies recognised in other income of HK$216,211,000 (2017: HK$70,615,000) mainly represented the subsidies on PRC taxes paid, photovoltaic power generation, export credit insurance expenses, and research and development cost incurred in the year.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

Earnings

	2018	2017
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**1,535,908**	1,752,370

Number of shares

	2018	2017
	'000	*'000*
Weighted average number of ordinary shares in issue during the year for the purpose of basic earnings per share	**3,819,109**	3,839,666
Effect of dilutive potential ordinary shares – Share options	**16,587**	14,323
Weighted average number of ordinary shares in issue during the year for the purposes of diluted earnings per share	**3,835,696**	3,853,989

During the year ended 31 March 2017, the Company issued bonus shares on the basis of one bonus share for every one existing share held by the shareholders on 4 August 2016. Accordingly, the weighted average number of shares for the purpose of basic and diluted earnings per share have been adjusted.

In addition, the weighted average number of shares for the year ended 31 March 2017 had been arrived at after eliminating the treasury shares held by the Company.

7. DIVIDENDS

During the year, the Company recognised the following dividends as distribution:

	2018	2017
	HK$'000	*HK$'000*
Final dividend for 2017 of HK$0.14 (2017: HK$0.19 for 2016) per share	**533,318**	366,009
Interim dividend for 2018 of HK$0.13 (2017: HK$0.14 for 2017) per share	**495,522**	533,101
	1,028,840	899,110

A final dividend of HK$0.12 per share in respect of the year ended 31 March 2018, amounting to approximately HK$459,891,000, to be paid to the shareholders of the Company whose names appear on the Company's register of members on Friday, 13 July 2018, has been proposed by the board of directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

8. TRADE RECEIVABLES

	2018 *HK$'000*	2017 *HK$'000*
Trade and bills receivables	**956,097**	639,674

Other than cash and credit card sales for retail transactions, the Group generally allows a credit period of 30 to 90 days for customers except for high speed train manufacturers which are state-owned enterprises which is allowed for a credit period of 180 days. The aged analysis of the Group's trade and bills receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of the reporting period is as follows:

	2018 *HK$'000*	2017 *HK$'000*
0–90 days	**904,546**	617,432
91–180 days	**38,492**	14,964
Over 180 days	**13,059**	7,278
	956,097	639,674

9. TRADE PAYABLES

	2018 *HK$'000*	2017 *HK$'000*
Trade and bills payables	**753,902**	427,780

The credit period on purchases of goods generally ranges from 30 to 60 days.

The aged analysis of the Group's trade and bills payables presented based on the invoice date at the end of the reporting period is as follows:

	2018 *HK$'000*	2017 *HK$'000*
0–90 days	**751,698**	421,185
91–180 days	**1,214**	2,125
Over 180 days	**990**	4,470
	753,902	427,780

10. CAPITAL COMMITMENTS

	2018 *HK$'000*	2017 *HK$'000*
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of		
– acquisition and construction of property, plant and equipment	**61,146**	95,025
– construction of production plant	**77,992**	204,263
	139,138	299,288
Other commitments		
– construction of properties under development for sale	**132,106**	210,816
	271,244	510,104

MARKET REVIEW

During the financial year of 2018, the Group has benefited from a diversified market distribution and adjusted its sales strategy and product structure in a timely manner when faced with challenges in overseas markets, which effectively overcome the adverse external impact and continued to maintain a steady growth in revenue.

China market

During the Review Period, the China market is still facing some challenges, but the overall economic situation has gradually improved. According to the data released by the National Bureau of Statistics of China, GDP, total retail sales of consumer goods and urban resident per capita disposable income recorded year-on-year growth of 6.9%, 10.2% and 9.0% in 2017, respectively. The total retail sales of the reclining sofa category grew by 13.8% year-on-year in 2017. With the continuous increase in resident income, the Group will be benefited from the strong demand for high quality brand furniture products arising from consumption upgrading. Per newly released market survey report published by Euromonitor International Limited ("Euromonitor International")[1] in May 2018, the Group maintained the leadership position in China reclining sofa market while market share rose from 37.7% in 2016 to 44.8% in 2017.

North America market

The US macroeconomic data was picking up in 2017. According to the report of the US Department of Commerce, the US real GDP grew by 2.9% year-on-year in 2017. According to data published by the US Department of Commerce, total new houses completed for private owners in the US per annum in 2017 increased by approximately 8.8% from 2016. At the same time, new home sales increased by approximately 9.7% from 2016. According to the market survey report published by Euromonitor International[1] in May 2018, the Group was continuously ranked as one of top three reclining sofa players in US while the share of the US reclining sofa market was 9.8% in calendar year 2017 (9.6% in calendar year 2016). The Group maintained the advantages in cost control, capacity and products innovation in the North America market, and will seize the favourable market opportunities to achieve sustainable revenue growth.

1 Disclaimer from Euromonitor International

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Europe and other overseas markets

In European market, there were still a lot of challenges. The European economy's growth was subject to more uncertainties due to terrorist attack, refugee problem and so on. According to the Eurostat, the real GDP in the Eurozone was only 2.3% year-on-year in 2017, still at a low level.

BUSINESS REVIEW

During the financial year of 2018, the Group continued to enhance its core competitiveness by improving its internal operational efficiency. Facing increased uncertainties in overseas market by vigorously developing the Chinese market, the Group still maintained a positive revenue growth. During the Review Period, the Group's revenue reached a new high. The analysis of revenue by different regions is as follows.

1 China market

In the China market, as at 31 March 2018, the Group had a total of 2,357 "CHEERS First-class Cabin" brand sofa and "CHEERS Five-star Mattress" brand stores, and 42 Fleming stores in China. During the Review Period, the net increase in the number of "CHEERS First-class Cabin" and "CHEERS Five-star Mattress" brand retail stores was 424, including the net increase in the number of "CHEERS First-class Cabin" brand sofa retail store by 253, and the net increase in the number of "CHEERS Five-star Mattress" bedding retail stores by 89. In addition, the number of Fleming retail stores saw an increase of 42 during the Review Period. During the review period,sales from the China market increase approximately 43.7% compared with the last corresponding Period.

In addition to the focus on production and sales of sofas and bedding products, the Group also produced and sold chairs and other products to high-speed railways, chain cinemas and other business customers. Moreover, the Group also produced and sold some smart furniture spare parts and other products.

In addition, the Group acquired a Jiangsu-based metal frame producer during the Review Period. The Group has started to account for the Company as a subsidiary of the Group and consolidated the accounts of it since 1 January 2018. For the three months ended 31 March 2018, its contributed revenue amounted to approximately HK$154,060,000.

2 North America market

In the North American market, the overall market competition remained fierce. The Group obtained steady sales growth during the Review Period by adjusting the product mix timely, strengthening the sales team and introducing the rapid delivery plan. During the Review Period, revenue in the North America market increased by approximately 2.6% compared with the Last Corresponding Period, whereas sales in the US increased by approximately 1.6% and sales in Canada increased by approximately 14.3%.

During the Review Period, the Group participated in four furniture exhibitions and introduced a number of new sofa models to customers in the exhibitions.

3 Europe and other overseas markets

In Europe, the Group recorded increase in revenue during the Review Period despite the factors of the weak economic growth in the Europe and the Brexit. During the Review Period, excluding Home Group, the total sales of all products from Europe and other overseas markets increased by 2.6%. For sofas, sales in Europe and other overseas markets decreased by approximately 1.9%, including sales of sofas in the Europe decreased by approximately 17.5%. However, sales of other products including smart furniture parts in Europe has increased by 39.1% and offset the decrease of sales of sofas in Europe.

During the Review Period, Home Group (which was acquired by the Group in December 2016) had five sofa manufacturing factories mainly in Poland, the Baltic States and Ukraine respectively, which are mainly engaged in the design and production of stationary sofas and sofa beds, and sells their products to many European furniture retailers. During the Review Period, it achieved satisfactory sales growth. Benefited from its highly cost-effective products and high quality service, many existing retailer clients increased their orders from the Home Group, which was due to the PRC government's support of the "Belt and Road Initiative". The Group believes that it will benefit from the development of the "Belt and Road Initiative" as it progresses.

RESEARCH AND DEVELOPMENT OF SMART FURNITURE PRODUCTS

During the Review Period, the Group also launched a series of new smart furniture products with innovative functions based on the changes in the market. At the same time, the Group continued to strengthen the development of core parts of smart furniture to further improve the proportion of self-produced parts, so as to effectively reduce the cost and improve the flexibility of product innovation.

FINANCIAL REVIEW

Revenue and gross profit margin

	Revenue (HK$'000)			As a percentage of revenue (%)		Gross profit margin (%)	
	FY2018	FY2017	Change (%)	**FY2018**	FY2017	**FY2018**	FY2017
Business of sofas and ancillary products	**8,075,623**	6,981,725	15.7%	**80.5%**	89.8%	**40.1%**	43.0%
Other products	**925,934**	594,802	55.7%	**9.2%**	7.6%	**28.1%**	33.8%
Home Group business	**870,956**	202,488	n/a	**8.7%**	2.6%	**24.6%**	27.4%
Jiangsu Yulong business	**154,060**	–	n/a	**1.6%**	n/a	**20.3%**	n/a
Total	**10,026,573**	7,779,015	28.9%	**100.0%**	100.0%	**37.3%**	41.9%

During FY2018, total revenue rose by approximately 28.9% to approximately HK$10,026,573,000 (FY2017: approximately HK$7,779,015,000). The overall gross profit margin decreased from approximately 41.9% to approximately 37.3% year-on-year. The main reason for the margin decrease was the increase of price of materials, including chemical products, steels and cardboards among the packaging materials. Moreover, the appreciation of RMB against USD has also constituted part of the increase of cost of materials. Another reason for the decrease of gross profit margin is the consolidation of Home Group business. The gross profit margin of Home Group is lower than that of the Group and consolidation of Home Group business has led to decrease of gross profit margin of the Group.

During FY2018, the cost of goods sold rose by approximately 39.0%.

During the Review Period, excluding Home Group business, the Group produced approximately 1,097,000 sets of sofa products in China factories (FY2017: approximately 960,000 sets), representing an increase of approximately 14.3% (one set equals to six seats, in calculating sofa sets, excluding chairs and other products which were sold to commercial clients).

1 Sofas and ancillary products business

During the Review Period, revenue from business of sofas and ancillary products was approximately HK$8,075,623,000, representing an increase of approximately 15.7% as compared with approximately HK$6,981,725,000 recorded in the Last Corresponding Period.

1.1 China market

During the Review Period, revenue from the China market reached approximately HK$3,890,398,000, up by approximately 35.4% from approximately HK$2,873,852,000 in the Last Corresponding Period.

The increase in revenue was not only attributable to the Group's continued efforts to expand its store network in China market during the Review Period, but also the fact that the average sales per distributor store under "CHEERS First-class Cabin" brand increased by approximately 13.4% from the Last Corresponding Period (average sales per store is calculated as sales of all stores during the Review Period divided by average number of stores; and the average number of stores is calculated as the arithmetic mean of stores at the beginning of the Review Period and those at the end of the Review Period respectively).

1.2 North America market

During the Review Period, revenue from the North America market reached approximately HK$3,560,328,000, grow by approximately 2.6% compared with approximately HK$3,471,181,000 from the Last Corresponding Period. Of this, revenue from the US reached approximately HK$3,278,245,000, grow by approximately 1.6% compared with approximately HK$3,228,168,000 in the Last Corresponding Period, and revenue from Canada reached approximately HK$270,823,000, increased by approximately 14.3% compared with approximately HK$237,010,000 from the Last Corresponding Period.

1.3 Europe and other overseas markets

During the Review Period, revenue of sofas and ancillary products from Europe and other overseas markets was approximately HK$624,897,000, down by approximately 1.9% compared with approximately HK$636,692,000 from the Last Corresponding Period. Of this, revenue from Europe was approximately HK$300,973,000, down by approximately 17.5% compared with approximately HK$364,724,000 from the Last Corresponding Period. Revenue from other overseas markets reached approximately HK$323,924,000, up by approximately 19.1% compared with approximately HK$271,968,000 from the Last Corresponding Period.

2 Sales of other products

During the Review Period, the Group's revenue from other products reached approximately HK$925,934,000, representing an increase of approximately 55.7% as compared with approximately HK$594,802,000 in the Last Corresponding Period.

2.1 Retail revenue from bedding stores reached approximately HK$475,342,000, up by approximately 89.5% compared with approximately HK$250,814,000 in the Last Corresponding Period.

2.2 During the Review Period, revenue from other furniture products sold to commercial clients reached approximately HK$81,818,000, up by approximately 60.8% from approximately HK$50,871,000 in the Last Corresponding Period.

2.3 Revenue from smart furniture parts reached approximately HK$368,774,000 (including approximately HK$229,462,000 from China market, approximately HK$29,922,000 from North America market, approximately HK$109,390,000 from Europe and other overseas market), up by approximately 25.8% from approximately HK$293,117,000 (including approximately HK$186,870,000 from China market, approximately HK$27,582,000 from North America market, approximately HK$78,665,000 from Europe and other overseas market) in the Last Corresponding Period.

3 **The Business of Home Group**

During the Review Period, the Home Group has achieved a total revenue of approximately HK$870,956,000 whereas approximately HK$202,488,000 of revenue was achieved by the Home Group after its acquisition by the Group at 31 December 2016 in the Last Corresponding Period.

4 **Jiangsu Yulong Business**

The Group acquired Jiangsu Yulong and its accounts have been consolidated into the Group's financial statements since January 2018. During the Review Period, Jiangsu Yulong's realised revenue amounted to approximately HK$154,060,000.

Cost of goods sold

Cost of goods sold breakdown

	FY2018 *HK$'000*	FY2017 *HK$'000*	Change *(%)*
Cost of raw materials	**5,139,966**	3,639,586	41.2%
Labour costs	**911,225**	701,986	29.8%
Manufacturing overhead	**232,442**	179,260	29.7%
Total	**6,283,633**	4,520,832	39.0%

Major raw materials	**Average unit cost year-on-year change (%)**
Leather	**-1.3%**
Metal	**28.9%**
PVC	**-0.8%**
Wood	**3.2%**
Fabric	**-1.7%**
Chemicals	**27.3%**
Packaging paper	**34.8%**
Transportation cost of materials	**19.0%**

Other income

During FY2018, other income of the Group increased by approximately 128.2% to approximately HK$364,630,000 (FY2017: approximately HK$159,752,000). The increase was mainly due to the increase in the Government subsidies and income on structured deposits.

	FY2018	FY2017	Change
	HK$'000	*HK$'000*	*(%)*
Income from sale of industrial waste*	**68,540**	40,817	67.9%
Government subsidies**	**216,211**	70,615	206.2%
Income on structured deposits***	**19,741**	7,602	159.7%
Interest income	**31,338**	19,082	64.2%
Others	**28,800**	21,636	33.1%
Total	**364,630**	159,752	128.2%

Notes:

* Income from sale of industrial waste is revenue from the sale of non-reusable leather, cotton, wood etc. generated in the normal production process of the Group. During the Review Period, such income accounted for approximately 0.7% of total income (sale of industrial waste accounted for approximately 0.5% of total income in the Last Corresponding Period).

** Government subsidies mainly consist of subsidies from local governments to subsidiaries in China.

*** Income from structured deposits originated from the Company using unutilized funds to invest in commercial banking wealth management products of major banks in mainland China. The banks have provided guarantee for principal and returns for all products.

Other gains and losses

During FY2018, other gains and losses of the Group amounted to losses of approximately HK$26,168,000 (the Last Corresponding Period: gains of approximately HK$184,001,000). During the Review Period, other gains and losses of the Group amounted to losses of approximately 19,119,000 (the Last Corresponding Period: gains of approximately HK$170,536,000), mainly due to the foreign exchange losses.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 44.2% from approximately HK$1,173,878,000 in FY2017 to approximately HK$1,693,223,000 in FY2018. Selling and distribution expenses as a percentage of revenue increased from approximately 15.1% in FY2017 to approximately 16.9% in FY2018. The increase was mainly attributable to the following:

(a) Overseas transportation and port fees increased by approximately 40.8% from approximately HK$434,174,000 to approximately HK$611,452,000. Overseas transportation and port fees as a percentage of revenue increased from approximately 5.6% in last year to approximately 6.1%; domestic transportation expenses increased by approximately 30.2% from approximately HK$74,243,000 to approximately HK$96,685,000. Domestic transportation expenses as a percentage of revenue of approximately 1.0% was the same as last year;

(b) Advertising, promotion and brand building expenses increased by approximately 78.8% from approximately HK$128,863,000 to approximately HK$230,469,000. Advertising, promotion and brand building expenses as a percentage of revenue increased from approximately 1.7% to approximately 2.3%; and

(c) Salaries, welfare and commissions of sales staff increased by approximately 34.3% from approximately HK$219,893,000 to approximately HK$295,420,000. Salaries, welfare and commissions of sales staff as a percentage of revenue increased from approximately 2.8% to approximately 2.9%.

Administrative expenses

Administrative expenses increased by approximately 21.0% from approximately HK$365,441,000 in FY2017 to approximately HK$442,052,000 in FY2018. As a percentage of revenue, administrative expenses were approximately 4.4% (FY2017: approximately 4.7%).

Income tax expense

Income tax expense increased by approximately 25.7% from approximately HK$293,222,000 in FY2017 to approximately HK$368,639,000 in FY2018. The proportion of income tax expense to profit before tax increased from approximately 14.3% in FY2017 to approximately 19.2% in FY2018.

Profit attributable to owners of the Company and net profit margin

The profit attributable to owners of the Company decreased by approximately 12.4% from approximately HK$1,752,370,000 in FY2017 to approximately HK$1,535,908,000 in FY2018. The net profit margin of the Group decrease from approximately 22.5% in FY2017 to approximately 15.3% in FY2018. The decrease in profit attributable to owners of the Company and net profit margin was mainly due to decrease of the gross profit margin from approximately 41.9% in FY2017 to approximately 37.3% in FY2018 and currency loss of approximately HK$19,119,000 (FY2017: currency gains of approximately HK$170,536,000).

Dividends

The Board has proposed a final dividend of HK12 cents per share for the FY2018. During the FY2018, the Board has already declared and paid an interim dividend of HK13 cents per share. Total dividends declared for FY2018 accounted for approximately 62% of the profit attributable to owners of the Company.

Working capital

As at 31 March 2018, the Group's bank balances and cash were approximately HK$1,406,959,000.

The Group has been committed to maintain the sound financial policy. The Group continues to improve its operational efficiency in order to reduce turnover days of the working capital. During the Review Period, turnover of the working capital was good. Benefiting from the steady and healthy development of the Company's business, it can effectively manage its cash flow and capital commitments. The Group also ensures that it has sufficient funds to meet its existing and future cash requirements while providing the sustainable and stable dividend return to shareholders. The Group has not experienced and does not expect to experience any difficulties in meeting its obligations when they are due.

Liquidity and capital resources

As at 31 March 2018, the Group's short-term borrowings amounted to approximately HK$1,316,799,000, all of which were repayable within twelve months from 31 March 2018. All of the borrowings bore floating interest rates.

The Group's primary source of working capital is cash flow from operating activities and bank deposits. As at 31 March 2018, the Group's current ratio was approximately 1.5 (31 March 2017: approximately 1.9). The Group maintained a net cash position, reflecting its healthy financial position, paving the way for future development. As at 31 March 2018, the Group's gearing ratio was approximately 22.5% (31 March 2017: approximately 21.3%), which is defined as total borrowings divided by total equity attributable to owners of the Group.

Allowance for inventories

For FY2018, the Group reversed impairment allowance for inventories of approximately HK$1,512,000 (FY2017: reversed impairment allowance of approximately HK$2,781,000).

Impairment loss on trade and other receivables

For FY2018, the Group provided impairment loss on trade and other receivables of approximately HK$635,000 (FY2017: nil).

Pledge of assets

As at 31 March 2018, there was approximately HK$8,303,000 restricted bank balances. As of 31 March 2018, some subsidiaries of Home Group under the Group pledged certain assets for financing, including property, plant and equipment with book value of approximately HK$122,310,000 (FY2017: HK$103,204,000) and inventories with book value of approximately HK$18,139,000 (FY2017: HK$8,598,000).

Capital commitments and contingent liabilities

Save as disclosed in note 10, the Group did not have any material capital commitment as at 31 March 2018.

As at 31 March 2018, the Group did not have any contingent liabilities.

Foreign currency risks

The Group's exposure to currency risks is mainly attributable to the trade and other receivables, bank balances, trade and other payables and bank borrowings, which are denominated in currencies other than the functional currency of respective Group entities. Except for the business of Home Group, most of the Group's sales in overseas markets are settled in USD. As such, during the Review Period, the depreciation of USD against RMB adversely resulted in exchange loss on trade receivables mainly from export business. In addition, the Group's sales in Mainland and Hong Kong markets are settled in RMB and HKD respectively. Except for the business of Home Group, the Group's costs are mainly settled in USD, RMB and HKD. As such, the appreciation of RMB against USD resulted in rising cost of export business mainly denominated in USD. The revenue of Home Group's current business in Europe was settled mainly in Euro, while the cost was settled mainly in Euro, UAH and PLN.

Significant investments and acquisitions

Acquisition of Jiangsu Yulong Intelligent Technology Co., Limited (江蘇鈺龍智能科技有限公司) ("Jiangsu Yulong")

On 27 December 2017, the equity transfer agreement in relation to the acquisition of a controlling stake in Jiangsu Yulong ("Jiangsu Yulong Agreement") was signed. The Group acquired 80% equity interest in Jiangsu Yulong at RMB240 million (equivalent to approximately HK$300 million) after completion the Jiangsu Yulong Agreement. Jiangsu Yulong is principally engaged in the production and sales of metal frames for furniture business.

The accounts of Jiangsu Yulong have been consolidated into the consolidated financial statements of the Group since January 2018.

Development of a Piece of Land in Wu Jiang

Reference is made to the announcement of the Company dated 26 October 2011 relating to the acquisition of land in Wujiang. According to the said announcement, the Group has acquired a piece of land in Wujiang, PRC through an indirect wholly-owned subsidiary of the Company, for RMB217,246,470.

The original development plan of the land included developing a commercial complex, including furniture shopping mall, office building, apartments and residential premises. The commercial complex is developed mainly for sale.

After careful study on the local market, the development plan of the land was adjusted as follows:

– for constructing a Cheers First-class Cabin furniture products flagship store;

– for developing a high end hotel and an international recognized hotel management company will be invited to manage the hotel;

– for developing residential premises, mainly for sale; and

– for the Group's own operation.

As at 31 March 2018, the Group has completed most of the construction works. Based on current plan, the hotel is expected to commence operation in 2018. The residential premises were also ready for pre-sale in second half of 2017 and delivery to buyers in the second half of 2018. The construction of flagshop store was also completed. The above timetable is subject to change due to uncertainties in relation to market conditions and government approval etc.

As of 31 March 2018, the Group has invested a total of approximately HK$767,621,000 in the development of the land (including acquisition of the land).

Except for the above, the Group did not have any other significant investments or acquisitions or sales of subsidiaries or associates or joint ventures during the Review Period.

Human Resources

As at 31 March 2018, the Group had 15,985 employees (31 March 2017: 12,976 employees), whereas Home Group had 2,606 employees (31 March 2017: 2,481 employees).

The Group firmly believes that staff is the most important resource, and provides its staff with sound working and living conditions at the main manufacturing bases, and has developed a comprehensive staff training and development, performance evaluation and incentive system. Meanwhile, the Group also devoted to enhancing the production and operating efficiency. With increasing the standardization and automation level of the production process and improving the operation management process, the Group also increased the number of employees while maintaining the steady revenue growth momentum during the Review Period.

During FY2018, the total staff cost for the Group amounted to approximately HK$1,414,217,000 (FY2017: approximately HK$1,076,385,000), of which approximately HK$16,305,000 (FY2017: approximately HK$16,937,000) was Directors' emoluments. The Group endeavours to keep the remuneration packages of its employees competitive and reward employees based on their performance. As part of the Group remuneration system and policy, we have adopted a share option scheme and a share award scheme, both of which enable the Group to reward employees and incentivise them to perform better.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During FY2018, the Company repurchased a total of 24,830,400 ordinary shares of the Company at an aggregate purchase price of HK$167,930,617 (before brokerage and expenses) on The Stock Exchange of Hong Kong Limited. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest	Lowest	Aggregate purchase price
	('000)	*(HK$)*	*(HK$)*	*(HK$'000)*
June 2017	24,830	7.00	6.57	167,931
Total	24,830			167,931

The repurchased ordinary shares were cancelled during the Review Period. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the general mandate to repurchase shares granted by the shareholders of the Company to the Board at the annual general meeting of the Company held on Wednesday, 13 July 2016, with a view to benefiting shareholders as a whole in enhancing the return on net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the Review Period and until the date of this announcement.

CORPORATE GOVERNANCE CODE

The Board acknowledges the importance of the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhancing shareholders' value and safeguarding the interest of shareholders. Accordingly, the Company has adopted sound corporate governance principles that emphasize effective internal control and accountability to all shareholders.

The Company has applied the principles of and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 (the "CG Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the Review Period, save for the deviation from code provisions A.2.1 which is explained below. The Company periodically reviews its corporate governance practices to ensure that they continue to meet the requirements of the CG Code.

Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". Mr. Wong Man Li, who acts as the Chairman and Managing Director of the Company, is also responsible for overseeing the general operations of the Group. The Board meets regularly to consider major matters concerning the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to a strong and consistent leadership enabling the Group to operate efficiently.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company for Directors' securities transactions. The Company has made specific enquiry of all Directors and the relevant employees regarding any non-compliance with the Model Code during the Review Period, and they all confirmed that they had fully complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions. Employees who are deemed to be in possession of unpublished price sensitive information in relation to the Company or its shares are prohibited from dealing in shares of the Company during the black-out period.

AUDIT COMMITTEE

The Company's audit committee (the "Audit Committee") currently consists of three independent non-executive Directors, namely Mr. Chau Shing Yim, David, Mr. Ong Chor Wei and Mr. Ding Yuan. None of them is, or has previously been, a member of the Company's current or previous external auditors within the past financial year. The chairman of the Audit Committee, Mr. Chau, possesses the professional qualifications and financial management expertise required under the Listing Rules.

Working closely with the external auditors, the Audit Committee has reviewed the Group's audited consolidated results for the financial year ended 31 March 2018.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Thursday, 5 July 2018, will be eligible to attend and vote at the annual general meeting of the Company to be held on Thursday, 5 July 2018 (the "AGM"). The transfer books and register of members will be closed from Friday, 29 June 2018 to Thursday, 5 July 2018, both days inclusive, during which period no transfer of Shares will be effected. In order to determine the identity of shareholders who are entitled to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 28 June 2018. Notice of the AGM will be despatched to the shareholders of the Company in due course.

Shareholders whose names appear on the Company's register of members on Friday, 13 July 2018, will qualify for the proposed final dividend. The Company's transfer books and register of members will be closed from Wednesday, 11 July 2018 to Friday, 13 July 2018 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Computershare Hong Kong Investor Services Limited located at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 10 July 2018. The proposed final dividend (the payment of which is subject to the Shareholders' approval at the AGM) is to be payable on Wednesday, 25 July 2018 to Shareholders whose name appear on the register of members of the Company on Friday, 13 July 2018. The Shares will be traded ex-dividend on Monday, 9 July 2018.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the FY2018. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

By Order of the Board
Man Wah Holdings Limited
Wong Man Li
Chairman

Hong Kong, 15 May 2018

As at the date of this announcement, the executive Directors are Mr. Wong Man Li, Ms. Hui Wai Hing, Mr. Alan Marnie, Mr. Dai Quanfa, Ms. Wong Ying Ying, and Mr. Tsang Hoi Lam; and the independent non-executive Directors are Mr. Chau Shing Yim, David, Mr. Ong Chor Wei, Mr. Kan Chung Nin, Tony and Mr. Ding Yuan.